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DE RUEHRO #1122/01 2741639

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FM AMEMBASSY ROME

TO RUEHC/SECSTATE WASHDC PRIORITY 2731

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C O N F I D E N T I A L SECTION 01 OF 02 ROME 001122

SIPDIS

SCA/P FOR JAMES SCHWEMLEIN
S/SRAP FOR MARY BETH GOODMAN

E.O. 12958: DECL: 10/02/2019

TAGS: PREL EPET IT PK IR

SUBJECT: PAKISTANI PRESIDENT ZARDARI RECEIVES WARM WELCOME
IN ROME

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Classified By: Political Minister-Counselor Barbara A. Leaf for Reasons
1.4 (B) and (D)

1.(C) Summary. Pakistani President Zardari received a warm welcome and a strong show of support from PM Berlusconi and President Napolitano during his September 29 - October 1 visit to Rome. All GOI participants in the visit reaffirmed Italy's support for "a democratic and stable Pakistan" and for an EU-Pakistan Free Trade Agreement, praised Zardari's "very effective" struggle against terrorism and his determination to protect religious minorities in Pakistan. Zardari met with the leaders of Italy's business elite to promote Italian investment in Pakistan, and discussed possible participation by Italian energy parastatal ENI in the Iran-Pakistan gas pipeline project. Zardari received assurances from FM Frattini that Italy would soon begin disbursement of its Tokyo Donor Conference pledge of Euro 2 million in aid and Euro 60 million in soft loans. On the margins, MOD La Russa signed an MOU with the Pakistani MOD Secretary-General to exchange intelligence information and improve defense cooperation and trade in defense articles. Zardari also assured GOI interlocutors and Pope Benedict XVI that he would work to prevent violence against religious minorities in Pakistan. End Summary.

¶2. (C) Italian MFA South Asia Office Director and Pakistan Coordinator Domenico Bellato (please protect) told Poloff on October 1 that Pakistani President Asif Ali Zardari's three-day visit to Rome -- the first visit of a Pakistani President since 2004 -- was "highly positive," with both Zardari and Berlusconi saying all the right things. President Napolitano and PM Berlusconi each held separate meetings with Zardari and appeared before the press afterwards to reaffirm Italy's strong commitment, as a member of the Friends of Democratic Pakistan, to supporting Zardari's efforts to achieve full democracy, economic stability, and freedom from terrorism. Zardari brought with him his Minister of Investment Mandviwalla and Minister for Religious Minorities Bhatti, a Christian who accompanied Zardari during his meeting with Pope Benedict XVI on October ¶1.

¶3. (SBU) Bellato said that FM Frattini reaffirmed to Zardari that Italy was pleased with the positive steps Pakistan had taken in terms of democratic reform and counterterror efforts in FATA and Waziristan -- all of which had been recognized at

the New York meeting of the Friends of Democratic Pakistan -- and encouraged him to strengthen his efforts in Baluchistan to counter Taliban activity there. Frattini said Italy would soon begin disbursement of its Tokyo Donor Conference pledge of Euro 2 million in aid and Euro 60 million in soft loans. Bellato said that this aid package, though modest, is the best that Italy can do in a tight budgetary environment. He said that Frattini's statements reflect the fact that Pakistan is a GOI foreign policy priority and that this aid is therefore safe from the GOI budget cuts that have weakened Italy's development assistance programs in recent years. (Note: of the Euro 60 million in soft loans, only 40 million -- the portion dedicated to rural development -- has been approved. The MFA hopes to have approval soon for the remaining 20 million, which is dedicated to vocational training programs in the frontier provinces. The remaining Euro 2 million in grants are for the development of olive oil production in the frontier provinces. MFA hopes to disburse this aid by early 2010.)

¶4. (C) FM Frattini and Zardari co-chaired a meeting of the Italy-Pakistan Forum for Economic Cooperation, with the participation of Italy's main Business Association (Confindustria), Defense parastatal Finmeccanica, and Energy parastatal ENI. Bellato said that ENI is the most important foreign player in Pakistani natural gas production, accounting for the equivalent of 56,000 BOEs (Barrel of Oil Equivalent) per day. Bellato said ENI President Scaroni met with Zardari to discuss possible ENI participation in the LNG terminal being developed at Gwadar as well as in two of Pakistan's gas pipeline projects, one of which would carry natural gas from Iran through Pakistan to India or to the Gwadar port, and the other of which would lead from Tajikistan through Afghanistan and into Pakistan. MOD La

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Russia signed an MOU with the Pakistani MOD Secretary-General to exchange intelligence information and improve defense cooperation and trade in defense articles (Finmeccanica is an exporter of high-tech defense systems to Pakistan).

¶5. (C) Comment: This is the first we've heard of ENI's interest in participating in the Iran-Pakistan gas pipeline project in any form. This kind of project could run counter to recent emphatic denials of any new Iran activity by the Italian parastatal. Post will ask ENI and the GOI about the project. End Comment.

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